CITY OF QUENEMO, KANSAS

FINANCIAL STATEMENTS

Year Ended December 31, 2021

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CITY OF QUENEMO, KANSAS

FINANCIAL STATEMENTS
Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Quenemo, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances of the City of Quenemo, Kansas (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse and Unmodified Opinions" section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2021, or the changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2021, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statement" section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the financial statement is prepared by the City on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however, are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

September 28, 2026

CITY OF QUENEMO, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Regulatory Basis
For the Year Ended December 31, 2021

Funds	Beginning Unencumbered Cash Balance	Prior Period Adjustment	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Funds:							
General Fund	$ [29,465]	$ -	$ 310,399	$ 262,210	$ 18,724	$ 1,945	$ 20,669
Special Purpose Funds:							
Special Highway Fund	22,030	-	11,794	11,090	22,734	-	22,734
Business Funds:							
Water Utility Fund	60,128	-	106,252	83,387	82,993	-	82,993
Sewer Utility Fund	89,857	-	64,662	46,608	107,911	-	107,911
Solid Waste Fund	30,529	-	11,747	23,023	19,253	-	19,253
Total	$ 173,079	$ -	$ 504,854	$ 426,318	$ 251,615	$ 1,945	$ 253,560

Composition of Cash:

Lyndon State Bank	
Checking	$ 252,544
Savings	1,016
Total Reporting Entity (excluding Agency Funds)	$ 253,560

See independent auditor's report on the financial statements.

CITY OF QUENEMO, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Quenemo, Kansas, (the City) is a municipal corporation governed by a mayor and a five-member council. These financial statements present the City and any related municipal entities for which the City is considered to be financially accountable. The City has no related municipal entities.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the City for the year ended December 31, 2021:

General Fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Business Fund - funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund, etc.)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds and business funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in the local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of the notice of hearing.
4. Adoption of the final budget on or before August 25th.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

If the City is holding a revenue neutral rate hearing, the budget timeline for the public hearing is adjusted to no sooner than August 20th and no later than September 20th, but at least ten days after all statutory notification and publication requirements have been met. Municipal budgets requiring a hearing to exceed the revenue neutral rate should be adopted on or before October 1st but may not be adopted prior to the revenue neutral rate hearing. The City did not hold a revenue neutral rate hearing for this year.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipt other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The 2021 budget was not amended.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

NOTE 2 - Deposits

Deposits. K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

Investments. K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices. As of December 31, 2021, the City held no such investments.

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has no designated "peak periods." All deposits were not legally secured at December 31, 2021.

As of December 31, 2021, the City's carrying amount of deposits was $253,560 and the bank balance was $251,059. The bank balance was held by one bank, resulting in a concentration of credit risk. Of the bank balance, $250,000 was covered by federal depository insurance and the remaining $1,059 was unsecured, which is a violation of K.S.A. 9-1402

NOTE 2 - Deposits (Continued)

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 3 - Contingencies

The City is a party to various claims, none of which is expected to have material financial impact on the City.

NOTE 4 - Long-Term Debt

During the year ended December 31, 2021, the following changes occurred in long term liabilities:

Type of Issue	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding	Interest Paid
General Obligation Bonds	$ 710,000	$ -	$ 15,000	$ 695,000	$ 20,760
Finance Lease	32,684	-	7,643	25,041	1,461
Total	$ 742,684	$ -	$ 22,643	$ 720,041	$ 22,221

General Obligation Bonds. General obligation bonds currently outstanding are as follows:

Purpose	Date Issued	Final Maturity	Interest Rate	Original Amount	Balance December 31, 2021
Series 2019 GO Refunding Bonds	12/19/2019	12/1/2050	2.75 - 3.2%	$ 710,000	$ 695,000

The annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2022	$ 15,000	$ 20,348	$ 35,348
2023	15,000	19,935	34,935
2024	15,000	19,523	34,523
2025	20,000	19,110	39,110
2026	20,000	18,560	38,560
2027 - 2031	100,000	85,290	185,290
2032 - 2036	105,000	72,350	177,350
2037 - 2041	125,000	55,600	180,600
2042 - 2046	145,000	35,545	180,545
2047 - 2050	135,000	11,040	146,040
Total	$ 695,000	$ 357,300	$ 1,052,300

Finance Leases. Finance leases currently outstanding are as follows:

Purpose	Date Issued	Final Maturity	Interest Rate	Original Amount	Balance December 31, 2021
2019 Backhoe	8/29/2019	8/29/2024	4.47%	$ 40,000	$ 25,041

NOTE 4 - Long-Term Debt (Continued)

The annual debt service requirements to maturity for the finance leases are as follows:

Year Ending December 31,	Principal	Interest	Total
2022	$ 7,985	$ 1,119	$ 9,104
2023	8,342	762	9,104
2024	8,715	390	9,104
Total	$ 25,041	$ 2,271	$ 27,312

NOTE 5 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks of loss, including related lost regulatory receipts. No significant reductions in insurance coverage from that of the prior year have occurred. Settlements have not exceeded insurance coverage for each of the last three years.

NOTE 6 - Compensated Absences

It is the City's policy to grant employees annual vacation in varying amounts depending on length of service. Annual vacation leave is accumulated at the rate of one week for year one; 2 weeks for years 2 through 4; 3 weeks for years 5 through 15; 4 weeks for 16 through 20 years; 5 weeks for 21 through 25 years; and 6 weeks for each year after 25 years. Vacation days can accumulate up to 6 weeks, but only 3 weeks can be carried over to the succeeding year.

It is the City's policy to recognize the costs of compensated absences when actually paid.

NOTE 7 - Other Long-Term Obligations from Operations

Other Post-Employment Benefits. As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

NOTE 8 - Interfund Transfers

Interfund transfers made during the year ended December 31, 2021, are as follows:

From	To	Amount	Statutory Authority
Water	General	$45,000	K.S.A. 12-825d
Sewer	General	35,000	K.S.A. 12-825d
		$80,000	

NOTE 9 - Stewardship, Compliance, and Accountability

Expenditures in the Special Highway, Water Utility, Sewer Utility, and Solid Waste funds exceeded the adopted budget for the year ended December 31, 2021, which is a violation of K.S.A. 79-2935.

CITY OF QUENEMO, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2021

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over [Under]
General Funds:					
General Fund	$ 387,468	$ -	$ 387,468	$ 262,210	$ [125,258]
Special Purpose Funds:					
Special Highway Fund	-	-	-	11,090	11,090
Business Funds:					
Water Utility Fund	-	-	-	83,387	83,387
Sewer Utility Fund	-	-	-	46,608	46,608
Solid Waste Fund	-	-	-	23,023	23,023

See independent auditor's report on the financial statements.

CITY OF QUENEMO, KANSAS

GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2021

	Actual	Budget	Variance Over [Under]
Receipts			
Taxes	$ 178,965	$ 207,487	$ [28,522]
Licenses and permits	-	200	[200]
Franchise fees	10,243	14,178	[3,935]
Fines and fees	322	375	[53]
Charges for services	12,031	-	12,031
Use of money and property	-	1,185	[1,185]
Miscellaneous	28,838	7,500	21,338
Operating transfers in	80,000	-	80,000
Total Receipts	310,399	$ 230,925	$ 79,474
Expenditures			
Personnel	95,618	$ 350,468	$ [254,850]
Contractual	92,775	27,000	65,775
Commodities	18,426	-	18,426
Capital outlay	16,279	10,000	6,279
Miscellaneous	3,352	-	3,352
Debt service	35,760	-	35,760
Total Expenditures	262,210	$ 387,468	$ [125,258]
Receipts Over [Under] Expenditures	48,189		
Unencumbered Cash, Beginning	[29,465]		
Unencumbered Cash, Ending	$ 18,724		

CITY OF QUENEMO, KANSAS

SPECIAL HIGHWAY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2021

	Actual	Budget	Variance Over [Under]
Receipts			
Taxes	$ 10,871	$ -	$ 10,871
Miscellaneous	923	-	923
Total Receipts	11,794	$ -	$ 11,794
Expenditures			
Contractual	11,090	$ -	$ 11,090
Total Expenditures	11,090	$ -	$ 11,090
Receipts Over [Under] Expenditures	704		
Unencumbered Cash, Beginning	22,030		
Unencumbered Cash, Ending	$ 22,734		

CITY OF QUENEMO, KANSAS

WATER UTILITY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2021

	Actual	Budget	Variance Over [Under]
Receipts			
Charges for services	$ 106,252	$ -	$ 106,252
Total Receipts	106,252	$ -	$ 106,252
Expenditures			
Contractual	8,151	$ -	$ 8,151
Commodities	30,236	-	30,236
Operating transfers out	45,000	-	45,000
Total Expenditures	83,387	$ -	$ 83,387
Receipts Over [Under] Expenditures	22,865		
Unencumbered Cash, Beginning	60,128		
Unencumbered Cash, Ending	$ 82,993		

CITY OF QUENEMO, KANSAS

SEWER UTILITY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2021

	Actual	Budget	Variance Over [Under]
Receipts			
Charges for services	$ 64,662	$ -	$ 64,662
Total Receipts	64,662	$ -	$ 64,662
Expenditures			
Contractual	11,608	$ -	$ 11,608
Operating transfers out	35,000	-	35,000
Total Expenditures	46,608	$ -	$ 46,608
Receipts Over [Under] Expenditures	18,054		
Unencumbered Cash, Beginning	89,857		
Unencumbered Cash, Ending	$ 107,911		

CITY OF QUENEMO, KANSAS

SOLID WASTE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2021

	Actual	Budget	Variance Over [Under]
Receipts			
Charges for services	$ 11,747	$ -	$ 11,747
Total Receipts	11,747	$ -	$ 11,747
Expenditures			
Contractual	23,023	$ -	$ 23,023
Total Expenditures	23,023	$ -	$ 23,023
Receipts Over [Under] Expenditures	[11,276]		
Unencumbered Cash, Beginning	30,529		
Unencumbered Cash, Ending	$ 19,253		